

# United States Senate

WASHINGTON, DC 20510

July 22, 2010

Dear Colleague,

We are writing to express our support for allowing coastal states to share in a fraction of the revenues from energy production in the outer Continental Shelf (OCS). This issue may arise in the context of the Senate's response to the Deepwater Horizon oil spill as well as debates on other measures including climate and energy legislation. Each of us and our constituents hold varying views on offshore energy production in the federal waters seaward of our states. We make no collective statement on such production – some of us would favor it and some of us would not necessarily favor it. We are united, however, in our position that any such production in federal waters must include a program in which affected coastal states and coastal political subdivisions are entitled to a share of the federal revenues resulting from such production.

All of our states are shouldered with fiscal challenges similar to those of the federal government. States also face hard choices regarding the balance between local costs and national benefits. Should Congress enact laws that would have coastal states host more production of the OCS, it is important to consider the local impacts. OCS production places vastly heightened demands on transportation services, ports, fuel supplies, pipeline corridors, public health and safety, and other infrastructural and social resources. There are also associated risks, actual and perceived, to coastal economies in terms of fisheries, tourism, recreation, and wildlife habitat. As the Gulf spill shows, production in federal waters beyond three miles from shore can have even greater impacts than production in near-shore state waters. Hence, the Coastal Zone Management Act (CZMA) gives states a strong measure of control over management plans for federal actions affecting our coastlines. In the absence of dedicated and reliable funding to contend with the risks and impacts described herein, it is likely that many states may use their powers under CZMA to deny the nation access to the outer Continental Shelf. In other words, the American people stand to lose out entirely on their revenues due to Congressional unwillingness to share a comparatively small percentage with the states whose participation is needed.

Under the Mineral Leasing Act, states with landlocked oil and gas production are rightly entitled to about half of the associated federal revenues – revenues derived from resources which belong to the entire nation, not any one state. Those states are also rightly entitled to Payment in-lieu-of Taxes, (PILT). These federal-state partnerships were clearly and expressly established to compensate for the assumption of many of the same relative risks outlined above and for the federal lands taken out of state tax bases, respectively. We acknowledge some obvious differences between onshore and offshore development, and the percentage of federal-state split might not be properly established at 50%. We also submit that there are important similarities, and we insist that the percentage for coastal states cannot in fairness remain at 0%. Congress firmly

acknowledged this reality with the enactment of the Gulf of Mexico Energy Security Act of 2006, directing 37.5% of federal revenues from certain federal OCS oil and gas leases to neighboring Gulf States. Furthermore, Interior Secretary Ken Salazar has likewise recommended a 27.5% state share for revenues derived from future offshore wind leases.

We encourage you to engage our staffs and independently research the issues at stake in this discussion. Thank you for your attention, and we hope that you will regard this concept of federal-state partnership as a necessary element of any comprehensive national energy policy.

Sincerely,

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